

CITY OF SAN DIEGO
OFFICE OF THE INDEPENDENT BUDGET ANALYST

MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR FEBRUARY 2012

Reports Highlighted for the Month of February 2012:

Report No. 12-09 (2/6/12)

“Deferred Capital Funding Options”

Report No. 12-10 (2/10/12)

Attachment 1 (2/10/12)

“Taxicab Permitting Policy & Revenue Generation”

Report No. 12-11 (2/28/12)

Attachment 1 (2/28/12)

“Review of FY 2012 Mid-Year Budget Monitoring Report”

Highlights of Major Reports Issued in the Month of February:

Report No. 12-09 “Deferred Capital Funding Options”

Previously, in the IBA’s *Review of Mayor’s Five-Year Financial Outlook for FY 2013-2017* a significant issue was raised related to the funding assumptions included in the Mayor’s Outlook for addressing deferred capital expenditures. In that report, the IBA agreed with the estimated \$898M magnitude of the deferred capital problem, but questioned the size and timing of the proposed multiple bond issuances. Following extensive discussion, a working group was formed composed of the Office of the IBA and the Mayor’s Office to develop a consensus five-year funding approach for recommendation to the Budget & Finance Committee (B&FC) and City Council.

As a result of the working group, the Mayor’s Office issued a report which presents two funding options (Option “A” & Option “B”) as alternatives to the funding proposal in the original Five-Year Outlook. IBA report #12-09 addresses these funding options for a five-year plan and reviews the details of each option. After presenting analysis of the options, the IBA recommends Option “B” over Option “A” because it begins to address several of our cited concerns, including ramping up cash funding for non-capital needs and a desire to reduce reliance on bond funding. This report also notes that although it is important to move forward with this program, a clearer picture is needed as to where the City will end up after this investment.

On February 8, 2012, report #12-09 was presented along with a deferred capital update from the Department of Public Works at the B&FC meeting. The Committee requested that Public Works staff return on the February 29, 2012 meeting with specified additional information. On February 29, Public Works staff presented this additional information, and the Committee voted 5-0 to recommend support for an “Enhanced Option B”, which includes our recommendation that the projected \$8M (see report #12-11 on following page) surplus in FY 2012 be included in the Mayor’s Proposed FY 2013 Budget for Operations & Maintenance / Cash Infrastructure funding. They also requested that the IBA provide options to fully fund and keep pace with capital needs and that Public Works staff provide a list of pending projects by Assets Type and Priority Score.

Report No. 12-10 “Taxicab Permitting Policy & Revenue Generation”

At the November 2, 2011 Public Safety & Neighborhood Services (PS&NS) Committee meeting, the Committee requested that the IBA explore revenue options associated with taxicab permitting. This IBA report provides additional information relating to permit transfer fees and tax models in other cities and taxicab permit auctions for Committee consideration when amending Council Policy 500-02 “Taxicab Permits”.

In report #12-10 the IBA notes that although the City of San Diego owns the taxicab permits and issues privileges pertaining to said permits, permit holders are the ones who profit from the transfer, not the City or MTS who oversees this process. The IBA reviewed permit tax models in San Francisco, New York and Chicago for examples of cities that have a transfer fee or tax model different from San Diego. These models differ in that they generate revenue above the cost of recovery associated with the transfer administration process. Additionally,



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the IBA conducted hypothetical revenue generation scenarios based on San Diego's total transfers in 2011 and various tax rates. These hypothetical scenarios found that the City could potentially generate anywhere from \$133,000 to \$1.7M in revenues from a transfer fee tax.

Although this report illustrates that additional revenue can be generated through various tax models for taxicab transfer fees and auctions, the IBA states that there are legal considerations associated with the institution of transfer fees and distribution of permits through auctions.

This report was presented to PS&NS on February 15, 2012. The Committee approved amendments to Council Policy 500-02 with a vote of 4-0.

Report No. 12-11 "Review of FY 2012 Mid-Year Budget Monitoring Report"

The Chief Financial Officer issued the FY 2012 Mid-Year Budget monitoring Report on February 23, 2012. This report describes the current status of revenues and expenditures and their year-end projections, based on actual (unaudited) data from July through December 2011. The IBA's review of this report highlights major issues, discusses options for the City Council and makes recommendations for the Budget & Finance Committee (B&FC) to consider, all pertaining to the Mid-Year Report's projection of a year-end \$16.5M surplus. Report #12-11 also includes an attachment outlining 25 FY 2012 budget solutions and their current status.

For FY 2012, the Mayor has proposed to utilize \$5.0M of the projected surplus to restore services in Library and Park and Recreation, add 15 cadets to the April Police Academy, and undertake a one-time expenditure to fully fund the fire alert system and create a CIP emergency fund. He also proposed that \$3.2M be re-budgeted in FY 2013 for projects originally budgeted in FY 2012, and the remainder of the forecasted surplus will be unbudgeted to allow for fluctuations in revenues or expenditures.

Based on the Mayor's recommendations for the surplus, the recently passed Ordinance-20084 language (explained in more detail in the IBA's report) and the IBA analysis of the Mid-Year Report, the IBA recommends the B&FC consider the following actions:

1. Support the Mayor's proposed re-budget of \$3.2M to FY 2013
2. Approve the Mayor's recommendations for utilizing \$5.0M of projected surplus
3. Request the Mayor commit the remaining \$8.3M surplus to increasing cash funding of deferred capital projects in the Mayor's FY 2013 Preliminary Budget

The Mid-Year Report and the IBA's review of the report were both presented to the B&FC on February 29, 2012. The Committee requested that these two reports be moved forward to Council on March 12, 2012 with support for the IBA's recommendations.

Other Reports Issued in February 2012

Report No. 12-08 (2/3/12)

Attachment 1 (2/3/12)

"City Council Policy and Program Measures for FY 2013 and Beyond"

IBA Office Staff Additions

The IBA is excited to announce the addition of a new Fiscal & Policy Analyst, Erin Noel, and a new Research Analyst, Nicole Nelson. Erin joins us from the City's Office of the City Auditor and has over 13 years of experience as an analyst and auditor. Nicole was a former intern with our office, and she has a Bachelor's degree from UCSD in Economics & Management Science and a minor in Political Science. We welcome them to our team!

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